CORRECTIONS AND POLICING

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2015

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Correctional Facilities Industries Revolving Fund, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Correctional Facilities Industries Revolving Fund as at March 31, 2015, and the results of its operations and changes in its accumulated net expenditure for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 13, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Statement 1

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Financial Position
AS AT MARCH 31

	2015	2014
Financial Assets		
Accounts receivable	$ 82,964	$ 153,667
Inventory for resale (Note 7)	95,245	89,052
Total Financial Assets	178,209	242,719
Liabilities		
Accounts payable and accrued liabilities	37,850	82,211
Accumulated net expenditure (Statement 3)	111,389	56,172
Total Liabilities	149,239	138,383
Accumulated Surplus (Statement 2)	$ 28,970	$ 104,336

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Operations and Accumulated Surplus
FOR THE YEAR ENDED MARCH 31

	2015		2014
	Budget (Note 10)	Actual	Actual
Sales	$ 568,000	$ 448,421	$ 594,381
Cost of goods sold (Note 6)	522,000	472,894	538,699
Gross profit (loss)	46,000	(24,473)	55,682
Operating expenses:			
Salaries	31,870	34,453	33,240
Travel	200	362	233
Miscellaneous	2,580	5,966	5,200
Repairs and maintenance	---	9,737	---
Office supplies	---	40	---
Delivery	350	335	1,224
	35,000	50,893	39,897
Annual surplus (deficit)	$ 11,000	(75,366)	15,785
Accumulated surplus, beginning of year		104,336	88,551
Accumulated surplus, end of year (Statement 1)		$ 28,970	$ 104,336

(See accompanying notes to the financial statements)

Statement 3

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Changes In Accumulated Net Expenditure
FOR THE YEAR ENDED MARCH 31

	2015	2014
Financing required for (provided by) operating activities:		
Annual (deficit) surplus	$ (75,366)	$ 15,785
Net increase in working capital items related to operations (Note 5)	20,149	(19,534)
Net increase in financing requirements	(55,217)	(3,749)
Accumulated net expenditure, beginning of year	(56,172)	(52,423)
Accumulated net expenditure, end of year (Statement 1)	$ (111,389)	$ (56,172)

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

1. Authority and Definition of Entity

The Correctional Facilities Industries Revolving Fund (Revolving Fund) operates under the authority of Section 108 of *The Correctional Services Act, 2012*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and which provides a revenue source to reduce the costs of inmate programming.

The Revolving Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. The Revolving Fund is also responsible to maintain a system of accounting and administrative controls to ensure accurate and reliable financial statements and to obtain reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board and published by CPA Canada, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. These financial statements do not present a Statement of Change in Net Assets or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is

the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's changes in working capital and net cash flow from operations.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

Sales are recognized when goods are delivered to customers.

e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

f) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 108 (11) of *The Correctional Services Act, 2012* specifies that the maximum accumulated net expenditure shall be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus/deficit exceeds the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval

by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the GRF. The approved surplus/deficit limit for the Revolving Fund is $100,000. The Revolving Fund did not request additional funding (2014 – nil). There was no excess surplus (2014 - nil) paid to the General Revenue Fund.

5. Net Change in Working Capital Items Related to Operations

	2015	2014
Decrease in accounts receivable	$ 70,703	$ 12,957
(Increase) decrease in inventory	(6,193)	11,288
Decrease in current liabilities	(44,361)	(43,779)
Net increase in working capital items related to operations	$ 20,149	$ (19,534)

6. Cost of Goods Sold

Cost of goods sold consists of the following:

	2015	2014
Materials	$ 161,952	$ 228,266
Supplies	23,313	18,288
Inmate Incentive	36,126	41,191
Staff Salaries	227,191	219,179
Shop Expense	24,312	31,775
	$ 472,894	$ 538,699

7. Inventory

Inventory consists of the following:

	2015	2014
Raw Materials	$ 60,970	$ 53,895
Work in Progress	5,072	7,613
Finished Goods	29,203	27,544
	$ 95,245	$ 89,052

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan and non-Crown agencies subject to joint control and significant influences by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with other related parties are recorded at agreed upon exchange amounts and settled on normal trade terms. The following table summarizes the related party transactions for the year:

Financial Statement Category:	2015	2014
Sales	$ 73,509	$ 94,085
Accounts Receivable	3,063	23,952
Expenses	36,827	48,462
Accounts Payable and Accrued Liabilities	5,683	3,034

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

9. Credit Risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are outstanding from many customers, which helps reduce credit risk.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Revolving Fund Accumulated Net Expenditure Balance

As at March 31, 2015 there is a difference of $1,501 (2014 - $11,790) between the amount reported by the Revolving Fund and the amount reported in Public Accounts. The difference is due to a Workers Compensation Board reimbursement incorrectly recorded in Public Accounts at year end. This was corrected in June 2015.